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BASE OPERATIONS**DOD's Use of Single
Contracts for Multiple
Support Services****DISTRIBUTION STATEMENT A**Approved for public release;
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**National Security and
International Affairs Division**

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Congressional Requesters

This report responds to the requirement of the report by the National Security Committee, House of Representatives, on the National Defense Authorization Act for Fiscal Year 1998 that we review the Department of Defense's (DOD) use of a single contract for multiple base operations support functions. The June 16, 1997, report noted that there was little information on how these contracts work, what services are best delivered under this arrangement, and what savings are realized. In response, this report addresses (1) the history and characteristics of selected single contracts for multiple base operations support services, (2) the kinds of services procured under these contracts, (3) lessons DOD has learned from the use of these contracts, (4) whether small businesses participate in these contracts, and (5) whether cost and efficiency gains have been documented.

This report provides detailed information about the use of single contracts for multiple base operations support services at 10 military installations in the continental United States. We selected these installations from a list of 15 that were identified for us by DOD officials. The officials could not identify all installations that use these kinds of contracts because they do not compile that information; however, they believe the number of such contracts is relatively limited. Our scope and methodology is described in appendix I.

Background

Base operations support services, generally called commercial activities, are the functions necessary to support, operate, and maintain DOD installations. Although the Office of Management and Budget (OMB) identifies 29 services as base support functions, DOD does not have a generally accepted definition of base support services, and the military services differ in how they define them. Without a common definition it is difficult to accurately determine the size and cost of DOD's base support workforce; however, DOD estimates that base support activities such as facilities and vehicle maintenance, food services, and local transportation cost more than \$30 billion in fiscal year 1997.

Numerous studies from the 1993 Bottom-Up Review through the recent Quadrennial Defense Review, Defense Reform Initiative, and National Defense Panel have concluded that DOD could realize significant savings by

outsourcing commercially available support services. Some studies have concluded that DOD could achieve the largest savings by using a single contract, rather than several smaller contracts, to encompass multiple base operations support services.

Although a subject of increasing emphasis in recent years, federal agencies have been encouraged, since 1955, to obtain commercially available goods and services from the private sector through outsourcing, or contracting out, whenever they determine it is cost-effective. In 1966, OMB issued Circular A-76, which established federal policy for the government's performance of commercial activities and set forth the procedures for studying commercial activities for potential contracting. Later, in 1979, OMB issued a supplemental handbook to the circular that included the procedures for competitively determining whether commercial activities should be performed in-house, by another federal agency through an interservice support agreement, or by the private sector. OMB updated this handbook in 1983 and again in March 1996.

Results in Brief

The history and characteristics of selected single contracts for multiple base operations support services varied at the 10 installations we reviewed. The decisions to use a single contract for multiple services occurred in two ways. At seven installations, the decision occurred at the time of a commercial activity, or A-76, study. In the other three cases, the decision was made at the time the installation or its current mission was established. One installation has been using a single contractor for multiple services since the 1950s. Most of the other installations began using single contracts for multiple services in the 1980s but one, Laughlin Air Force Base, awarded its contract in 1996. Most of the contracts were awarded for 5 years and ranged from about \$5.4 million to \$100 million annually. Seven of the 10 installations awarded fixed-price-award-fee contracts. Although some installations received extensive base operations support services through a single contract, none received all of its required services through a single contract. At all 10 installations, base operations support requirements were met through some combination of single contracts for multiple services, single contracts for specific services, regional contracts for specific services, and the use of in-house personnel.

The kinds of services procured under the multiple service contracts also varied and were influenced by a number of factors, including the mission and functions performed at the installation, missions of tenant activities, existing contractual arrangements, a desire to keep some functions

in-house, and legislative restrictions. The activities contracted out ranged from relatively basic tasks such as messenger mail and refuse services to more complex ones such as computer software development and utilities systems operations. Comparing and contrasting services between contracts and installations to precisely say what services were included or excluded from individual contracts in comparison with others is difficult because there are no generally accepted definitions for base operations support services. As a result, contracting officials often used the same or similar terms differently—not always referring to or including the same categories or subcategories of services.

DOD officials at the 10 installations we reviewed have learned a number of lessons from their experiences with single contracts for multiple base operation support services, including the need for well-defined performance work statements, and when to use best-value selection criteria and contract performance incentives. The officials also cited the need for maintaining good contractor-government relations. Although many contracting officials we spoke with stated that coordination is much easier when there is a single contract, they acknowledged problems can still arise.

At 3 of the 10 installations we reviewed, small businesses were participating in single contracts for multiple base operations support services. In all three cases, the small business was the prime contractor and the contracts were awarded under various small business programs. Small Business Administration and DOD officials are aware that consolidating multiple base operation services into single contracts may reduce the participation of small businesses as prime contractors. In 1996, DOD issued a policy statement requiring the services to consider the effect of consolidating contract requirements on small businesses when considering outsourcing. Also the Small Business Administration Reauthorization Act for Fiscal Year 1997 adds new provisions to section 15(a) of the Small Business Act, which at the time of our work required federal agencies to consider the effect on small businesses when requirements currently being performed by small business are considered for consolidation.

Although contracting officials reported efficiency gains, cost savings from using single contracts for multiple base operations support services are not documented. Moreover, at most of the installations savings cannot be easily quantified because there is no requirement to track savings. In addition, the contracts have changed since the initial commercial activities

studies were completed so there is no basis for comparative analysis. Some of the efficiency gains that have been cited include reduced overhead, cross utilization of contract personnel, and increased flexibility.

History and Characteristics of Single Contracts for Multiple Services Vary

Most of the multiple service contracts were initiated when the installation performed a commercial activities study and all but one were established in the 1980s or earlier. As shown in table 1, the estimated costs of the contracts range from \$5.4 million to \$100 million annually and most were awarded on a fixed-price basis. Single contracts for multiple support services were critical to meeting the overall requirements for base operations support at all 10 installations we reviewed; however, none used a single contract to meet all of its requirements.

Table 1: Characteristics of Multiple Service Contracts

Dollars in millions

Installation	Multiple service contract since fiscal year	Contract type	Est. base year cost	Current contract dates and years	Small business	Origin of original contract
Vance Air Force Base, Oklahoma	1961	Fixed-price	\$40.2	FY 96-00 5 years	No	New work
Arnold Engineering Development Center, Tennessee	1951	Cost	\$100	FY 96-03 8 years	No	New work
Laughlin Air Force Base, Texas	1997	Fixed-price	\$5.4	FY 97-01 5 years	Yes	A-76
Fort Belvoir, Virginia	1986	Fixed-price	\$12	Apr. 1995 - Mar. 2000 5 years	No	A-76
Fort Irwin National Training Center, California	1982	Cost	\$14.2 \$35.3	FY 96-00 FY 97-01 5 years each	No	A-76
Tank-Automotive & Armaments Command, Warren/Selfridge, Michigan	1983	Cost	\$15	FY 94-98 5 years	No	A-76
Naval Submarine Base Bangor, Washington	1976	Fixed-price	\$40	FY 98-07 10 years	No	New work
Naval Air Station Whidbey Island, Washington	1987	Fixed-price	\$15.3	FY 97-01 5 years	Yes	A-76
Naval Air Station Whiting Field, Florida	1983	Fixed-price	\$6.6	FY 97-01 5 years	Yes	A-76
Naval Air Station Fallon, Nevada	1987	Fixed-price	\$15	FY 98-02 5 years	No	A-76

Most Multiple Service Contracts Resulted From Commercial Activity Studies

At 7 of the 10 installations we reviewed, we were told that the decisions to use single contracts for multiple services occurred when the installations performed formal studies to determine whether the commercial activities should be performed in-house or by a contractor. All of these contracting efforts, except one, were initiated in the 1980s. At the other three locations, officials told us that the decision to use a single contract for multiple services was made at the time that the installation or its current mission was established.¹

Of the installations we visited, Laughlin Air Force Base was the one that most recently made a decision to use a single contract for multiple services in connection with a commercial activities study. A contracting official at Laughlin stated that the study had been done as a result of a DOD Management Review Directive. The study, conducted from April 9, 1992, to July 12, 1996, resulted in a contract awarded in 1996 pursuant to a small business set-aside. The contract initially is for about \$5.4 million annually and will provide for functions dealing with supply, civil engineering, fuels management, and vehicle operation and maintenance.

Naval Air Station Fallon went to a multiple service contract in 1987 following a commercial activities study that was conducted from May 1981 until January 1984. Officials at Fallon could not say for certain but believed the study was conducted because of the priority placed on contracting out at the time. The current contract is the third multiple service contract and is worth about \$15 million annually. The contract covers such functions as food service, supply, pest control, custodial, housing, and airfield services, as well as operating a combined bachelor quarters facility.

At the U.S. Army Tank-Automotive and Armaments Command in Michigan, we found that the Army had two contracts for multiple base operations support services that followed separate commercial activities studies conducted in 1981 and 1982. Each of the contracts covered services at separate locations that are approximately 20 miles apart. Each contract was competitively awarded until fiscal year 1989 when a decision was made that it would be in the best interest of the government to combine the requirements under a single multiple service contract and reduce overhead and contract administration costs. The current contract for approximately \$15 million annually covers such functions as freight,

¹Under OMB Circular A-76, bases may contract for services without an A-76 competition between an in-house workforce and the private sector to meet new work requirements.

supply, warehousing, facility engineering, housing, and administrative services at the two locations.

At three installations—Vance Air Force Base, Arnold Air Force Base, and Naval Submarine Base Bangor—the decision to use multiple service contracts was made at the time the installation was established. The decision at Vance was based on an Air Force decision to evaluate the success of contracting out as compared to another base that performed the services with in-house personnel. At Arnold Air Force Base, the decision was based on a 1950 study by the Scientific Advisory Board of how the engineering development and test center should be operated. According to contracting officials, the study recommendation and a lack of qualified Air Force personnel at the time led the Secretary of the Air Force to direct that the services be provided through a contract. Naval Submarine Base Bangor was activated in 1976 and the decision to contract out base operations support services, according to a contracting official, was based on a study by a private Seattle company that determined a contract operation would be more cost-effective.

Most Multiple Service Contracts Are Fixed-Priced Type

At 7 of 10 installations we reviewed, contracting officials have awarded fixed-price contracts for multiple base operations support services (see table 2).

Table 2: Installations Reviewed and Current Contract Type

Base	Principal multiple service contract	
	Type	Fee
Vance Air Force Base	Fixed price	Award fee
Arnold Air Force Base	Cost	Award fee
Laughlin Air Force Base	Fixed price	None
Fort Belvoir	Fixed price	None
Fort Irwin	Cost	Award fee
Tank-Automotive and Armaments Command, Warren and Selfridge	Cost	Award fee
Naval Submarine Base Bangor	Fixed price	Award fee
Naval Air Station Whidbey Island	Fixed price	Award fee
Naval Air Station Whiting Field	Fixed price	None
Naval Air Station Fallon	Fixed price	Award fee

At the other three locations, contracting officials have awarded cost type contracts. In some instances, incentives or award fees were included within each of these types of contracts to contain or reduce costs. Regardless of the contract type, eight have been awarded on a 5-year basis.

A firm-fixed price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. It remains firm for the life of the contract unless revised pursuant to the changes clause in the contract. It places maximum risk on the contractor and minimum risk on the government. The contractor is responsible for all costs incurred and the resulting profit or loss. The cost contract places more risk on the government and less risk on the contractor. Under cost contracts, the contractor is reimbursed for all reasonable and allowable costs incurred.

In conjunction with these contracts, award fees are often used to provide incentives for outstanding performance in areas such as timeliness, quality, and cost effectiveness. The maximum amount of the award, periods of evaluation, and the officials who determine the fee are specified in an award-fee plan that is part of the contract. With the exception of three contracts, an award fee provision was included to foster maximum contractor performance based upon the government's subjective evaluation of the contractor's level of performance.

At Fort Irwin, contracting officials decided that a cost-type contract was preferable to fixed price because the workload and workforce were continually changing and requirements could not be adequately defined beforehand. At Vance, the decision to use a fixed-price contract was due to the nature of the contract requirements, where the contractor provides mainly labor, and the number of employees, their respective labor rates, and expected hours were all known. This allowed contracting officials and offerors to estimate the cost of the contract with a higher degree of confidence.

The multiple service contracts we reviewed were generally awarded for 5 years (1 base year and 4 option years). However, we did find two contracts with longer performance periods. At Arnold Air Force Base its cost-plus-award-fee contract was awarded in 1995 for 8 years (5 years and a single 3-year option) to foster workforce stability and morale. At the other, Naval Submarine Base Bangor, a 10-year fixed-price-award-fee contract (1 base year and 9 option years) was awarded in 1997. Based on suggestions from contractors during a presolicitation conference, the

Bangor contract was increased from 5 to 10 years to save money over the life of the contract by allowing contractors to spread their costs over more years. Officials also expected that the change would encourage more companies to compete for the contract. The contract also includes incentives for the contractor to reduce costs. It further includes a provision for the contractor to meet ISO 9000² standards to better ensure it can meet customer requirements and help reduce contract monitoring costs.

Multiple Service Contracts Are One Tool for Accomplishing Base Operations Support

At the 10 installations we reviewed, base operations support requirements were being met through a variety of means, including in-house personnel, as well as single contracts for multiple services, single contracts for specific services, and regional contracts. Several of the installations, including Arnold Air Force Base and Naval Submarine Base Bangor, rely heavily on single contracts for multiple base operations support services. In contrast, Fort Belvoir and Naval Air Station Whiting Field use single contracts for multiple services but also rely heavily on other contracts or in-house personnel to meet these support requirements.

Arnold has used a single contract for virtually all base operations support services from the time the installation was established. The first multiple service contract was awarded in 1951 and provided for all testing and support services at the installation. In fiscal year 1981, the contract was separated into three contracts—two testing contracts and one for multiple base operations support services. The support services contract includes a wide variety of functions such as central computer operations, base support and maintenance, environmental, utilities, logistics, transportation, base security, and fire protection. In addition, Arnold uses in-house personnel to perform morale, welfare, and recreation services.

Similarly, Bangor accomplishes nearly all base operations support service requirements through a single contract. The current contract for multiple support services spans 10 years and provides a wide range of base support services, including administrative support, various public works services, utility and supply services, and security services. Bangor has used a multiple service contract for base operations support services since it was activated as a submarine base in 1976. Bangor has several individual contracts to meet additional support needs such as family services, food

²ISO 9000 is a series of international standards for quality management and quality assurance and represents an international consensus on good management practices with the aim of ensuring that an organization can consistently deliver products or services that meet the customer's quality requirements.

preparation and administration, architect and engineering services, and maintenance of automated data processing equipment. Also, Bangor provides services such as morale, welfare, and recreation; automated data processing; and crane inspection and certification through the use of in-house personnel.

In contrast, Fort Belvoir and Naval Air Station Whiting Field are using single contracts for multiple services but also rely heavily on other contracts for specific support services, and in-house personnel to meet base operations support requirements. Fort Belvoir's current multiple support services contract is a firm-fixed price contract for 5 years. The contract includes such services as family housing, grounds, pest control, hospital operations and maintenance, and refuse collection. Fort Belvoir uses other contracts for specific support services such as major road repairs, asbestos removal, and custodial services. Military personnel provide such services as installation security and medical functions at the hospital. In-house civilians provide morale, welfare, and recreation; logistics management; and information management services.

Similarly, Whiting Field meets its needs for base operations support through a single contract for multiple support services, several contracts for specific services, and the use of in-house personnel. The current multiple service contract was awarded for 5 years beginning in fiscal year 1997. Services in the contract include waste water treatment, pest control, grounds maintenance, hazardous materials management, communications systems, transportation, and utilities services. The first contract was awarded in fiscal year 1983 for a 3-year period following a commercial activities study. In addition to the multiple service contract, functions such as custodial, military family housing maintenance and repair, aircraft maintenance, and simulation are provided under single service contracts. Services such as morale, welfare, and recreation; fire protection; supply services; ground electronics; and child development are provided by in-house personnel.

Services Provided by Multiple Service Contracts Reflect Varied Installations Needs

At the 10 installations we reviewed, the single contracts for multiple support services generally contained a broad range of activities such as refuse collection to computer support. Appendix II identifies selected base operations support activities included in contracts we reviewed. Although contracting officials often use the same or similar terms for services differently, we found that activities such as public works services, pest control, hazardous waste removal, family housing management, and

administrative services were generally included in the multiple support service contracts—although differences existed in the degree to which activities within these categories were included in individual contracts. Thus, individual contracts we examined varied in the extent to which the range of activities identified at one installation were comparable with another installation's contract.³

Functions and base support activities included in a given contract may vary due to requirements of the installation designing the contract to meet individual needs associated with its mission, the geographical location, and command preferences. For example, contracting officials said that base commanders need the flexibility to determine which functions to include in their multiple service contracts in order to most effectively serve each base's needs. At Arnold Air Force Base, where the mission is the testing of aerospace hardware, a provision was developed to preclude a manufacturer of aerospace hardware from competing for the contract, thus avoiding a conflict of interest. At Fort Irwin functions such as provost marshall and morale, welfare, and recreation were included because the base was being reactivated, while cooking was excluded so that soldiers could receive training. The geographic location of Laughlin Air Force Base affected services in its contract because, according to officials, the grass in that region grows extremely fast and must be cut frequently.

Lessons Learned From Multiple Service Contracts

Contracting officials at the 10 installations we reviewed have learned a number of lessons from their experience with single contracts for multiple base operations support services. Among the lessons most often cited were the need for well-developed and articulated requirements, and the importance of award fees and best-value selection criteria where appropriate. Also, while there can be significant advantages to using multiple service contracts, there can be some disadvantages.

Well-Defined Requirements Are Critical to Good Performance

Well-developed contract requirements articulated in performance work statements were often mentioned as necessary to the successful execution of multiple service contracts. Contracting officials stated that the contract requirements should, in the case of simple tasks, be very specific so there is no question as to what is expected. For more complex situations and needs, results-oriented requirements that describe the government's desired outcomes without telling the contractor exactly how to

³DOD does not have a generally accepted definition of what should be included in base operations support contracts and the services differ in how they define base support activities; therefore, it is difficult to compare and contrast services between contracts and installations.

accomplish the tasks are preferable. Contracting officials at Naval Submarine Base Bangor stated that the performance work statement in their multiple service contract was a good example of such results-oriented requirements. For example, they cited the area of vehicle maintenance, where the performance work statement states that the contractor is to maintain vehicles in accordance with the manufacturers' schedules, and that the amount of time that the vehicles are not available for use shall not exceed minimum standards. They also stated a well-defined performance work statement is the key to meeting these requirements and preventing excessive modifications to contracts and unanticipated cost increases.

The Laughlin base operations support contract, solicited and awarded by officials at the Air Education Training Command, contains no award-fee provision because the contracting officials believed that the contract was so straightforward and well defined that an award fee was not necessary to get quality service for the base. While at Fort Belvoir, a contracting official stated that many of the modifications to their multiple service contract were due to incorrect inventories of equipment and confusion over what equipment the contractor could use. They also said that when discrepancies arise as to what is required, it is often because requirements are not covered adequately in the contract and the government must modify the contract to get the services needed.

Award Fees Viewed as Improving Contractor Responsiveness

Contracting officials at 8 of the 10 installations we reviewed stated that award fees help focus the contractor on feedback from base personnel receiving the services and result in better responsiveness and higher quality work because these awards provide a monetary incentive for outstanding performance.

At two of the installations where the contracts did not contain an award fee—Laughlin Air Force Base and Fort Belvoir—we were told that, at the time of the solicitation, the officials involved determined that the contract requirements were not complex enough to warrant the use of an award fee. In the case of Laughlin, the decision not to incorporate an award-fee provision was made by officials not directly located at the installation. According to a contracting official at Laughlin, officials at the Air Education Training Command, who solicited and awarded the Laughlin contract, believed that the contract was straightforward and well defined enough that an award fee was not necessary to get quality service for the base. At Fort Belvoir the contract was transferred to them from the Army

Corps of Engineers after it had been solicited and awarded. When the Corps moved from Fort Belvoir, responsibility for contract administration was transferred to the Fort Belvoir Directorate of Contracting. Subsequently, the contracting officials that are currently administering the contracts at Laughlin and Fort Belvoir told us that based on their contract administration experiences, they would prefer to have an award-fee provision because they believe it would ensure improved contractor responsiveness and attention to quality.

Best-Value Are Criteria Helpful to Contracting Officials

Contracting officials stated that best-value criteria in selecting a contractor can be important because this allows the contracting agency to avoid selecting contractors that have lower offers but may not have the capability to effectively execute the contract. Through the use of a best-value selection process, a government agency can select an offer from the private sector that is most advantageous to the government, considering price or cost as well as past performance and other noncost factors. The agency does not have to select the lowest priced, acceptable offer. In a commercial activities (A-76) study, the "best value" private sector offer is compared to the government's in-house proposal on the basis of cost only. Best-value criteria are considered most appropriate when work involves higher levels of complexity, significant technical expertise, and risk. In these situations, the government may be able to obtain a better value by comparing the various private sector technical proposals and making trade-offs between various technical and noncost factors such as past performance as well as costs.

Officials explained that a contractor who wins based upon a low price that does not provide adequate profit is less likely to focus on quality or responsiveness and more likely to put forth only minimal effort to retain some profit or cut losses. Such situations can be more expensive for the government because of the cost of modifying contracts or finding a new contractor when one defaults.

Single Contracts Viewed as Enhancing Coordination but Can Become Cumbersome

Our previous outsourcing work identified the benefits and drawbacks of using single contracts for multiple base operations support services.⁴ Benefits can include (1) a single manager accountable for performance; (2) greater opportunities for efficiencies, such as reduced overhead; and (3) reduced cost and effort to develop and award one contract versus

⁴Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing (GAO/NSIAD-97-86, Mar. 11, 1997).

multiple contracts. Conversely, while single contracts may produce large savings, they do not always succeed and can adversely affect a greater number of activities when problems arise.

Contracting officials we spoke with during this review told us that coordination is much easier when there is a single contractor. One official stated that base operations support tasks are often interrelated and require good coordination for smooth operations. This official said that the interrelationships between tasks amplify the benefits of a reduced need for coordination.

For example, an official at Laughlin Air Force Base stated that failed coordination between two contractors prevented a third contractor from being able to perform assigned duties, when a dispute occurred over who was responsible for mowing the airfield. This impacted the third contractor's ability to effectively spray for bugs to help reduce the number of birds attracted to the airfield. As a result, this official stated that the base was not able to fly up to 300 sorties of additional training because birds, attracted to the airfield by the bugs in the long grass, can be pulled into a jet engine causing damage. This contracting official said that if one contractor had been solely responsible for all these tasks the coordination would not have been necessary. In contrast, at Vance Air Force Base these services are provided by one contractor; as a result, all coordination responsibilities lie with that contractor.

Fort Irwin had difficulties with a multiple service contract. The size and complexity of Fort Irwin's contract had grown until the administration and overall management of the contract had become cumbersome and in some cases not responsive to the needs of the installation. For example, the contractor directly supports the training mission of the base by maintaining combat equipment used in training. Officials found that the contractor was more focused on maintaining this equipment than on providing other installation support functions, such as public work services and range, airfield, and training support functions. In 1994, Forces Command conducted a study to determine whether the one multiple service contract was in the government's best interest. As a result of this study, Fort Irwin's contract was divided into five separate contracts—two base support contracts to support the logistical and installation support functions and three individual contracts for custodial, food services, and indefinite quantity work.

Small Businesses Participate, but Concerns Remain

At 3 of the 10 installations we reviewed, small businesses were participating as prime contractors under single contracts for multiple base operations support activities. In each case, the small business was awarded the prime contract under programs designed to assist small and disadvantaged businesses. Participation by small businesses in multiple service contracts is a sensitive issue because the scope of requirements can reduce the ability of small businesses to compete as prime contractors. DOD officials recognize this and have taken actions to enhance small business participation, but Small Business Administration officials remain concerned about the potential impact of multiple service contracts. The Small Business Administration Reauthorization Act for Fiscal Year 1997 adds new provisions to section 15(a) of the Small Business Act, which at the time of our work required federal agencies to consider the effect on small businesses when requirements currently being performed by small business are considered for consolidation. The Reauthorization Act, among other things, instructs agencies, to the "maximum extent practicable—avoid unnecessary and unjustified bundling of contract requirements that precludes small business participation in procurements as prime contractors."

Small Businesses Are Prime Contractors on Multiple Service Contracts

The small business contracts we encountered were awarded under one of two programs. At two locations—Laughlin Air Force Base and Naval Air Station Whiting Field—the contract awards were set aside exclusively for competition among small businesses. At Naval Air Station Whidbey Island, the contract with a small disadvantaged business was negotiated on a sole-source basis directly with the Small Business Administration under section 8(a) of the Small Business Act.

Whiting Field performed a commercial activities study in 1983 and awarded the first contract competitively. During the second competition in 1985, a small business was awarded the contract and it has been performed by a small business since then. The current contract is for approximately \$6.6 million annually and provides for a range of base functions such as utilities services, grounds, pest control, mail, and fuel distribution.

Whidbey Island contracted with a small business for approximately \$15.3 million annually to provide base functions such as maintenance of property, grounds, utilities, housing, supply operations, warehousing, and refuse services. This contract was originally awarded to a small business in fiscal year 1987. During the second procurement in fiscal year 1992, it

was determined that there would not be enough small businesses to compete; therefore, the solicitation was unrestricted, and the contract was awarded to a large business. When it was time to resolicit the third procurement in fiscal year 1997, the government was contacted by a small disadvantaged firm and the contracting officer worked with the Small Business Administration to subcontract with the small disadvantaged business under the 8(a) program.

Concerns Remain About Overall Impact on Small Business Participation

Small Business Administration and DOD officials are concerned that consolidating multiple base operation services into single contracts may limit the participation of small businesses as prime contractors. Contracting officials also stated that it was difficult for small businesses to compete for multiple service contracts due to the high cost of preparing proposals and the low probability of winning against large business.

Small Business Administration officials stated that their primary concern with omnibus contracts is in cases where requirements that were previously performed by small business are consolidated with other contract requirements so that small business participation becomes less likely. They noted that it is generally not to the advantage of small business to have all or many requirements for base operations included in one contract.

On October 28, 1996, the Deputy Secretary of Defense issued a policy statement concerning the consolidation of requirements. In it, the Deputy Secretary announced that in planning to consolidate several contracts or requirements, the services must consider the effect on small businesses. According to the Deputy Secretary, requirements cannot preclude small businesses as prime contractors unless a market research analysis shows significant benefits in terms of reduced costs and services or both. The policy statement recognizes the balance that must be maintained between the potential cost benefits that can be obtained through consolidated contracts and the loss of small business participation. The Deputy Secretary's statement also recognizes the policy of fostering the participation of small business in federal contracting embodied in statutes such as the Small Business Act and section 2323 of title 10 as implemented by the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement.

According to several contracting officials, the high cost of preparing a proposal combined with a low probability of winning against large

business competition often makes small businesses reluctant to compete for contracts that are not set aside exclusively for small business. For those contracts not awarded to small business, we found only one case where a small contractor competed against a large business. In this case during the evaluation, the small business was determined to be outside the competitive range because it did not fully respond to the scope and terms of the solicitation.

**Small Business
Administration
Reauthorization Act
Addresses Bundling**

The Small Business Administration Reauthorization Act of 1997, among other things, amends the provisions in section 15(a) of the Small Business Act concerning the consolidation of agency requirements. The act requires federal agencies to consider the impact on small businesses' ability to compete when considering consolidating requirements that have been performed by small businesses into multiple services contracts. The consolidation must be justified by measurable substantial benefits and be subject to review by the agency's Small Business Administration Procurement Center Representative. Small Business Administration officials told us they are drafting guidelines for federal agencies to follow in implementing this requirement. They expect the guidelines to be completed by September 1998.

**Savings Are Not
Documented, but
Efficiency Gains Are
Recognized**

Although contracting officials reported efficiency gains, cost savings from using single contracts for multiple base operations support functions are not documented. Moreover, at most of the installations savings cannot be easily quantified because once a commercial activities study is completed there is no requirement to track actual savings. Some of the efficiency gains that have been cited include reduced overhead, cross utilization of contract personnel, and increased flexibility.

**Savings Cannot Be Easily
Quantified**

As previously discussed, at 7 of the 10 installations we reviewed, an initial determination had been made that it was cost-effective to contract out base operation support services. The other three installations contracted out from the time of inception of the base or its mission and did not necessitate an A-76 study.

Each of the seven installations that performed an A-76 study had determined that the commercial activities could be performed more economically by contracting out. These commercial activities studies involved comparing estimated contract and in-house costs for the specific

work to be performed to determine the most cost-effective approach. However, once the decision was made that it was more cost effective to contract for the services, the officials were not required to track actual savings. In this regard, contracting officials told us that because the nature of the requirements being contracted has changed enough over time, any baseline for cost comparisons has been lost.

Officials See Efficiencies in Multiple Service Contracts

Officials stated that single contracts for multiple base operations services had some obvious efficiency gains that are not available under separate contracts, such as reduced overhead, cross utilizations of contract personnel, and reduced solicitations. For example, contracting officials at Vance, Whidbey Island, and Fallon stated that less work is required to conduct a single competition for a large contract than multiple competitions for smaller contracts. At Warren/Selfridge, Vance, and Bangor, officials told us that the ability to cross-utilize personnel was an advantage. Also, at Warren/Selfridge, Whiting Field, and Whidbey Island officials told us the reduced overhead associated with single contracts for multiple base operations services is an advantage.

Conclusions

Single contracts for multiple services were one tool being used to meet base operations support needs at the 10 installations we reviewed. Although some installations received extensive support through a single contract, none received all of their required services through a single contract. The history and characteristics of the contracts varied between the 10 installations and the services obtained through the contracts often reflected differences in mission and geographical location. Comparing and contrasting services between contracts and installations to precisely say what services were included or excluded from individual contracts in comparison with others is difficult because there are no generally accepted definitions for base operations support services. All of this suggests that multiple service contracts need to be tailored to the needs, missions, and other factors effecting individual installations.

Agency Comments and Our Evaluation

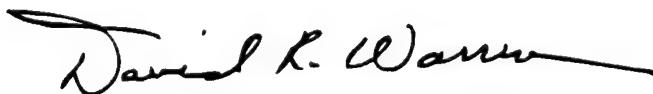
In commenting orally on a draft of this report, DOD believed our conclusion did not sufficiently recognize that variations in multiple service contracts were necessary and good. Specifically, DOD emphasized that because such contracts are intended to satisfy the individual installation's requirements a standard contract will not necessarily fit the needs of all installations. We revised the report to reflect that our work suggests that multiple

service contracts need to be tailored to the needs, missions, and other factors of importance to the installation.

DOD also noted that our report did not recognize all factors that may prevent small businesses from participating in multiple service contracts. Specifically, DOD cited limits on the amount of work that can be subcontracted as a factor, which prevents small businesses from competing as prime contractors. This factor was not identified as a significant issue at the ten installations we reviewed. DOD also noted that our report did not discuss whether small businesses were participating as subcontractors on multiple service contracts. We recognize that small businesses are likely participating as subcontractors, but we did not collect data about subcontracts as it was outside the scope of our work. The Small Business Administration provided technical clarifications, which we incorporated where appropriate.

We conducted our review from August 1997 to February 1998 in accordance with generally accepted government audit standards. We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Administrator, Small Business Administration; and the Director, Office of Management and Budget. We will make copies available to others upon request.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report were Barry W. Holman; Tom Howard; C. Douglas Mills, Jr.; John R. Beauchamp; Patricia F. Blowe; and John Brosnan.

A handwritten signature in black ink, reading "David R. Warren". The signature is fluid and cursive, with a long horizontal stroke at the end.

David R. Warren, Director
Defense Management Issues

List of Requesters

The Honorable Strom Thurmond
Chairman

The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ted Stevens
Chairman

The Honorable Daniel Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Floyd Spence
Chairman

The Honorable Ike Skelton
Ranking Minority Member
Committee on National Security
House of Representatives

The Honorable C.W. Bill Young
Chairman

The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

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Abbreviations

DOD	Department of Defense
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
TACOM	Tank-Automotive and Armaments Command

Scope and Methodology

To examine the use of single contracts for multiple base operations support services, we held discussions with cognizant Office of the Secretary of Defense (OSD), Army, Navy, and Air Force officials. While no central listing of these contracts existed, these officials were able to identify the following 15 installations as locations that contracted out multiple base operations support services under a single contract.

Air Force

Arnold Engineering Development Center, Arnold Air Force Base, Tennessee
Laughlin Air Force Base, Texas
Vance Air Force Base, Oklahoma

Army

Fort Belvoir, Virginia
Fort Irwin, National Training Center, California
Tank-Automotive and Armaments Command (TACOM), Michigan
US Army Garrison Selfridge
TACOM-Warren

Navy

Naval Submarine Base Bangor, Washington
Naval Submarine Base Kings Bay, Georgia
Naval Air Station Fallon, Nevada
Naval Air Station Whidbey Island, Washington
Naval Air Station Whiting Field, Florida
Naval Air Facility El Centro, California
Naval Station Roosevelt Roads, Puerto Rico
Naval Security Station, Washington, D.C.

Other Activities

U.S. government activities in the Republic of Singapore

We did not independently validate the information provided by the services but accepted it as a sample of locations utilizing single contracts to perform multiple base operations support services. From this list, we selected 10 to visit and examine their current multiple service contract. We reviewed legislation, various reports, and studies and held discussions with the Office of the Secretary of Defense; U.S. Headquarters Forces Command; Naval Facility Engineering Command; and Secretary of the Army for Research, Development, and Acquisition officials. Likewise, we held discussions with the Office of Small and Disadvantaged Business

Utilization, Office of Assistant Deputy Under Secretary of Defense, the Small Business Administration, and the U.S. Chamber of Commerce concerning implications for small business.

To accomplish our objectives, we met with installation and contract officials at 10 installations to review and discuss the management of their base operations support contracts. At seven of these locations, commercial activities studies (A-76) had been performed in the past to determine which functions should be contracted and which kept in-house. We did not attempt to validate these studies; however, we discussed with contracting officials the results of these studies and which functions were contracted as a result of these studies. Locations we reviewed were, Arnold Engineering Development Center, Arnold Air Force Base, Tennessee; Laughlin Air Force Base, Texas; Vance Air Force Base, Oklahoma; Tank-Automotive and Armaments Command, Warren and Selfridge, Michigan; Fort Belvoir, Virginia; Fort Irwin National Training Center, California; Naval Submarine Base Bangor and Naval Air Station Whidbey Island, Washington; Naval Air Station Fallon, Nevada; and Naval Air Station Whiting Field, Florida.

To determine the characteristics of multiple service contracts and the kinds of services being procured, we reviewed the current multiple service contract to identify the contract type, length and dates of performance, cost, number of offerors, and contractor, and whether the contractor was a small business. We examined the services contained in the performance work statement to determine which were commonly included or omitted. We discussed with contract officials these characteristics and the history of the multiple service contract at their installation. We also discussed with officials whether single contracts for specific services, regional contracts for specific services, and in-house personnel were used to meet the installations' base operations support service requirements.

To determine what lessons were learned from past and current multiple service contracts and whether cost and efficiency gains were documented, we interviewed contracting officials at each of the 10 installations to find out whether any record or history was maintained. Since we found no formal record of lessons learned or cost and efficiency gains, we obtained agency officials' opinions on contracting for both current and past multiple service contracts and contracting in general at the installation. Officials also commented on efficiency gains they believed had resulted from the use of multiple service contracts.

To ascertain the implications for small businesses when multiple service contracts are utilized, we determined the extent to which small businesses were participating as prime contractors through discussions with contracting officials. Further, we interviewed contracting officials to determine the extent to which small businesses competed for these contracts and, in the cases where a small business won the contract, the method by which the contract was awarded. Additionally, we spoke to officials at the Small Business Administration and the Office of Small and Disadvantaged Business Utilization, Office of the Assistant Deputy Under Secretary of Defense, to learn of their concerns regarding the use of single contracts for multiple services and the implications for small business.

We conducted our review from August 1997 to February 1998 in accordance with generally accepted government audit standards.

Selected Base Support Functions

Selected base support functions identified in the multiple service contracts at installations reviewed.

Administrative Services	Heating Plants and Systems
Air Conditioning and Refrigeration Plants and Systems	Housing Operations and Maintenance
Aircraft Maintenance	Information Management Functions
Airfield Management	Installation Support (Range, Airfield, Training, Support)
Airfield Services	Janitorial Services, and Refuse Collection and Disposal
Audiovisual Services	Laboratory Services
Base Information Management	Logistics Maintenance Functions
Base Visual Information Services	Logistics Supply Functions
Buildings and Structures	Machining and Fabrication
Central Heating Plant and Distribution System	Maintenance, Repair, Alteration and Construction of Real Property
Civil Engineering Support	Messenger Mail
Combined Bachelor Quarters Operations Services	Pest Management Services
Communications-Computer Systems	Potable Water Pump, Wells, Treatment, Storage and Distribution System
Computer System Operation and Systems Administration	Precision Measurement Equipment Laboratory
Contractor Applied Technology	Public Works Services
Custodial Services	Purchasing
Dining Facility Appliances and Equipment	Railroads
Electrical Distribution and Emergency Generation System	Refuse Services
Electrical Plants and Systems	Security Services
Emergency Management Planning and Operation	Software Development and Maintenance
Environmental Services	Stock Level Inventory
Equipment Support	Storage and Warehousing
Facility Engineering	Supply Operations
Family Housing	Support Facility Operations, Maintenance, and Repair
Fire Detection and Suppression	Telephone Operations Services
Fire Protection Services	Test Associated Services
Food Service	Test Support
Foreign Technology	Training Management Systems
Freight	Transportation Services
Fuels Management	Utilities Systems Operations and Maintenance
General Library Operations	Vacuum Systems
Ground Electronics Maintenance and Services	Vehicles Operations and Maintenance
Grounds and Surfaced Areas	Waste Water Collection, Pump, Treatment and Disposal System
Hazardous Waste or Material Management and Disposal	
Heating, Air Condition, Refrigeration and Compress Air	
Vacuum System	

Multiple Service Contract History for Military Installations Reviewed

Vance Air Force Base

Vance Air Force Base is located in Enid, Oklahoma, 90 miles north of Oklahoma City, Oklahoma. Vance is a joint undergraduate pilot training base and home to the 71st Flying Training Wing. Vance meets the majority of its base operations support needs with a single contract for multiple support services and a small number of contracts for single services; some additional services are performed by in-house personnel.

Vance currently has a single contract for multiple base operations support services with Northrop-Grumman Technical Services, Inc., that runs from fiscal year 1996 to fiscal year 2000. The contract is a fixed-price-incentive contract with an award fee for 1 base year plus 4 option years and an estimated cost of \$40.2 million annually. It provides for services such as communications, supply, civil engineering, transportation, airfield management, and aircraft maintenance. Additionally, some morale, welfare, and recreation functions are included in this contract. According to contracting officials at Vance, they originally awarded a fixed-price multiple service contract in 1960, when the training mission was established at the base. According to contracting officials, the decision to contract for base operations support services was part of an experiment to determine how well and efficiently a contractor-run base could operate compared to another base that used in-house personnel to perform the services. In 1972, the contract was offered for a 5-year period and Northrop-Grumman Technical Services won the contract. Four subsequent competitions for the contract have also gone to Northrop-Grumman Technical Services. The last solicitation had two offerors.

Vance also uses other contracts and in-house personnel to meet its base operations support requirements. Specifically, Vance utilizes a single-service contract for simulation instruction, simulator maintenance, and technical support for training aircraft. Other services such as pilot instructors, air traffic control, weather monitoring, and quality assurance are performed by in-house personnel.

Arnold Engineering Development Center, Arnold Air Force Base

The Arnold Engineering Development Center at Arnold Air Force Base is an Air Force aerospace ground environmental test center providing testing services for the armed services, National Air and Space Administration, both domestic and foreign commercial aerospace firms, and foreign governments. Located in southern central Tennessee, the center has been operated by contractors under the management of an Air Force commander and staff since 1951. Arnold meets its needs for base operations support by means of one contract for multiple support services

and an additional service provided by in-house personnel. Additionally, testing services, once part of the multiple support services contract, are now provided separately in a multiple testing service contract.

The current contract is a cost-plus-award-fee contract for 5 years plus a single 3-year option and is worth about \$100 million annually. The support contract for fiscal 1996 to fiscal 2003 was won by Aerospace Center Support, a joint venture of Computer Sciences Corporation, DynCorp, and General Physics. The functions included in the support contract include central computer operations, base support and maintenance, environmental, utilities, logistics, transportation, base security, and fire protection. During 1949 and 1950, while Arnold was under construction, a study for the Secretary of the Air Force was conducted by the Scientific Advisory Board. The study, prepared in 1950, recommended that the Arnold Engineering Development Center be operated by a non-profit entity, preferably one sponsored by a large industrial corporation with a variety of technical interests. After reviewing this and other reports and information available at the time, the Secretary of the Air Force decided that the Air Force would be best served by contracting with a for-profit corporation to take advantage of the profit motive. To avoid conflicts of interest, a contract provision was developed to preclude operation by firms involved in the manufacture of hardware amenable to testing at Arnold. The first contract was awarded in 1950 and the test center was established 1951. The contract provided for all testing and support services at the installation. In fiscal year 1981, the contract was separated into two testing contracts and a single mission support contract. The mission support contract provides most of the base operations support services at the installation. In addition, Air Force Services (formerly, morale, welfare, and recreation) are run by in-house Air Force personnel.

Laughlin Air Force Base

Laughlin Air Force Base is a pilot training installation located in Del Rio, Texas, 150 miles west of San Antonio, Texas. Laughlin meets its requirements for base operations support through a single contract for multiple support services, several contracts for specific services, and some support services performed by in-house personnel.

Laughlin is now in its second year of a 5-year multiple-service-fixed-price contract, which was awarded to a small business in fiscal year 1997 for approximately \$5.4 million in the base year and contains no award-fee provision. According to contracting officials, the multiple service contract resulted from a commercial activities study and provides supply, civil

engineering operations, and transportation functions. According to a contracting official at Laughlin, the commercial activities study was the result of a DoD Management Review Directive and was conducted from April 9, 1992, until July 12, 1996. The civil engineering functions include facilities management, pest management, plumbing, and utilities, while supply functions include such services as inventory control, computer support, and customer service. Beginning in fiscal year 1999, vehicle maintenance and fuels management services will become part of the multiple service contract. According to a contracting official, this multiple service base operating support contract was awarded to a small business as a result of a small business set aside competition between three small business firms.

Laughlin has other single service contracts for such functions as grounds maintenance, custodial services, and transient alert. In-house civilians also perform some services such as aircraft maintenance while military personnel provide the installation security functions.

Fort Belvoir

Fort Belvoir, located 18 miles southwest of Washington, D.C., provides support services to the Military District of Washington, the National Capitol Region, and Fort Belvoir tenants. Command of the installation was transferred to the Military District of Washington in October 1988. The current mission is to provide support for the growing number of tenants. According to contract officials, Fort Belvoir meets its base operations support needs through a single contract for multiple support services, contracts for specific support services, and the use of in-house personnel.

Contracting officials stated that Fort Belvoir's current multiple service contract is fixed price for approximately \$12 million annually with DynCorp for 5 years. They stated that this is the third contract awarded since the first one in January 1986, and there were three offerors for the current contract. According to a Fort Belvoir official, the first contract resulted from a commercial activities study performed in the early 1980s, and the study was the result of a mandate by the Army's Training and Doctrine Command, then the Command with authority over Fort Belvoir. Fort Belvoir's contract includes such functions as family housing operations and maintenance, grounds, pest control, hospital operations and maintenance, and refuse collection.

Contracting officials at Fort Belvoir stated that Fort Belvoir uses other contracts for specific support services such as major road repairs,

asbestos removal, and custodial services. These officials also stated that military personnel provide such services as installation security and medical functions at the hospital, while in-house civilians provide such services as morale, welfare, and recreation; logistics management; and information management.

Fort Irwin

Fort Irwin is located in the desert of California, approximately 150 miles east of Los Angeles. In 1981, it was activated as the Army's National Training Center, with the mission of providing realistic joint and combined arms training focused on developing soldiers, leaders, and Army units on the battlefield. Fort Irwin meets its base operations support needs through the use of two multiple service contracts, several contracts for specific support services, one Army-wide contract, and in-house personnel.

When the decision was made to activate Fort Irwin as the National Training Center in 1981, a commercial activities study was conducted to determine whether a contract or in-house operation was more cost-effective. The study results demonstrated that a contract operation was more cost-effective and a cost-plus-fixed-fee contract was awarded in fiscal 1982. This contract was recompeted three times. A cost-type contract was used because requirements could not be precisely estimated. In Fort Irwin's case, the base had been reactivated and there were no existing personnel operations on-site.

During an extensive Forces Command review in the early 1990s, it was determined that the size and complexity of the contract had become cumbersome and in some cases not responsive to the installation's needs. This led to a May 1994 study to determine the most efficient and effective configuration to support the mission. As a result, Fort Irwin divided the multiple service contract into five separate contracts, two multiple service contracts, and three single function contracts for the 1996 resolicitation. The major portion of the existing multiple service contract was split into two cost-plus-award-fee contracts, one for installation support services and the other for logistics support. They were valued at approximately \$14.2 million and \$35.3 million, respectively. The logistics support contract provides services for tactical and nontactical vehicle maintenance, supply including ammunition, central receiving, and storage/issue/turn-in to name a few. The installation support contract provides a wide range of services such as public works, range, airfield, training support, community activities (morale, welfare, and recreation), and provost marshal. The

other three were fixed-price contracts for custodial services, food services, and indefinite quantity work, respectively.

Although contracts are used to meet most base support service needs, in-house personnel perform some support functions. Examples of the services provided in-house include cooking, child development services, technical services, supply services, and training support. Additionally, during the breakup of Fort Irwin's contract, the Army Medical Command decided to take over contracting of the medical support functions—hospital housekeeping and biomedical maintenance. These functions were contracted out Army-wide by the Army Medical Command.

**U.S. Army
Tank-Automotive and
Armaments Command,
Warren and Selfridge**

Both Warren and Selfridge support activities are under the command of the U.S. Army Tank-Automotive and Armaments Command with Warren being the home of the Command. These activities are located 20 miles apart and 5 miles from Detroit Michigan. The Tank-Automotive and Armaments Command's mission is to field and support mobility and armament systems. Selfridge is one of these centers and also directs programs that provide support services at Selfridge for personnel and dependents in such areas as housing, morale, safety, environmental and recreational services. The activities' base operations support needs are met through the use of one contract for multiple services, several contracts for specific support services, and in-house personnel.

As a result of separate commercial activities studies conducted approximately 18 years ago, two contracts for multiple support services were awarded. One contract supported Warren, the other Selfridge. However, in 1989, a decision was made that it would be in the best interest of the government to combine these two contracts into a single cost-type contract as a means to reduce overhead and contract administration cost. The current contract was awarded to Serv-Air, Inc., for about \$15 million annually for 5 years, from fiscal years 1994 through 1998. This contract includes such services as supply, warehousing, audiovisual, facility engineering, family housing, and administrative services to support the operations of both activities.

Contracting officials told us that due to existing contracts at the Warren activity, the custodial and refuse collection services are performed there under separate single function contracts. In-house personnel handle functions such as community family services, engineering and technical

services, resource management, information technology, provost marshal, and public affairs services.

Naval Submarine Base Bangor

Naval Submarine Base Bangor is a fully operational shore activity selected as the West Coast Trident submarine base. It is home to 9 nuclear submarines and 54 tenant commands. Bangor is located on the western side of the Puget Sound, outside of Seattle, Washington. Its mission is to provide support to the Trident submarine launched ballistic missile system, maintain and operate facilities for administration and personnel support for operations of the submarine force, and provide logistic support to other activities in the area, and other functions as may be directed by competent authority. Bangor meets its base support needs primarily through a single contract for multiple support services. In addition, Bangor has several contracts for specific services, and utilizes in-house personnel for others.

According to a Bangor official, Bangor has contracted for base operations services, since it was activated as a Naval Submarine Base in 1976. Officials stated that it was determined a contract operation would be more cost-effective, based on the results of a commercial firm's study of all the base tenants and operations. The original contract was a 1-year cost-plus-incentive-fee contract. The current contract is a fixed-price-award-fee contract awarded to Johnson Controls World Services, Inc., for a base price of about \$40 million annually. It also includes a provision for the contractor to meet ISO 9000 standards to better ensure they can meet customer requirements and help reduce contract monitoring costs. The term of this contract is 10 years from October 1997 through September 2007. It provides a wide range of base support services, including administrative support, various public works services, utility and supply services, and security services. Contract officials stated the current contract was resolicited for a 10-year period in an effort to attract competition and save money over the life of the contract. Despite this change, there was only one offeror for the contract. Officials stated that due to the current contractors success in collecting a large portion of the maximum possible award fee, other firms did not think that their chances of winning the contract outweighed the cost of preparing a solicitation. Except for the initial contract, the other four solicitations were for 5-year periods each.

Bangor has several individual contracts to meet the needs of base operations support functions, such as architect engineering services,

electronic and communications equipment, animal control, recreational library services, and maintenance of automated data processing equipment. Also, Bangor provides such services as morale, welfare, and recreation; family services; food preparation and administration; and crane inspection and certification through the use of in-house personnel.

Naval Air Station Whidbey Island

Naval Air Station Whidbey Island is located on Whidbey Island in the Puget Sound, Washington. The base mission is to provide the highest quality facilities, services, and products to the naval aviation community and all organizations utilizing the air station. According to contract officials, Whidbey Island meets its needs for base operations support through a single contract for multiple support services, several single contracts for specific services, and the use of in-house personnel.

The current fixed-price-award-fee contract was awarded for fiscal years 1997 through 2001 for approximately \$15.3 million annually. The contract was negotiated on a sole-source basis with the Small Business Administration pursuant to the 8(a) program with services provided by Chugach Development Corporation. Functions include such services as family housing maintenance, refuse collection, supply operations, grounds and pest control, and utilities services. The current multiple service contract is the third 5-year contract awarded by Whidbey Island. The first contract was awarded in fiscal 1987 as the result of a commercial activities study.

Although the multiple service contract provides for a large portion of Whidbey Island's base operations needs, contracts for specific functions and in-house personnel are also used. Such services as morale, welfare, and recreation; environmental services; aircraft operations; public works engineering; and housing are provided for through the use of in-house personnel. Other services such as janitorial, grounds, indefinite order work for paving, painting, and roofing are provided under single contracts for specific services.

Naval Air Station Whiting Field

Naval Air Station Whiting Field is located approximately 33 miles northeast of Pensacola, Florida, near the city of Milton. The activity includes two major landing fields and is home station of Training Air Wing Five, which consists of three fixed-wing pilot training squadrons and two helicopter pilot training squadrons. In addition, the activity maintains 13 outlying fields in support of the pilot training mission. Whiting Field

meets its needs for base operations support through a single contract for multiple support services, several contracts for specific services, and the use of in-house personnel.

The current multiple service contract with Tumpane Services Corporation was awarded for approximately \$6.6 million in the base year to a small business under the set-aside program. This fixed-price-award-fee contract covering fiscal years 1997 through 2001 was awarded pursuant to a best-value selection process. Functions in the contract include waste water treatment, pest control, grounds maintenance, hazardous materials management, communications systems, transportation, and utilities services. The first contract was awarded in fiscal year 1983 for a 3-year period as the result of a commercial activities study. Since fiscal year 1985, the contract has been recompeted three times, and each time it was awarded to a small business.

In addition to the multiple service contract, Whiting Field uses single contracts and in-house personnel to provide base operations support. Services such as morale, welfare, and recreation; fire protection; supply services; ground electronics; and child development are provided through the use of in-house personnel. Other functions such as custodial, military family housing maintenance and repair, aircraft maintenance, and simulation are provided under single service contracts.

Naval Air Station Fallon

Naval Air Station Fallon, located 60 miles east of Reno, Nevada, is an air-to-air training facility for naval pilots. According to contract officials, Fallon uses a single contract for multiple support services to provide for a large portion of its base operations support needs, in addition to in-house personnel and some contracts for specific services.

The current multiple service contract was awarded to Day-Zimmerman on a fixed-price-award-fee basis and is worth about \$15 million annually. The contract covers fiscal years 1998 through 2002. The current contract is the third 5-year contract awarded, with each having a single base year and four individual option years. According to a contracting official at Fallon, the decision to contract for base operations support services at Fallon was the result of a commercial activities study conducted from May 1981 until January 1984. According to this official, the impetus for the study was the desire on the part of the administration of the time to privatize commercial activities at military installations. Contracting officials told us that the first contract was awarded in November 1987 for fiscal year 1988. Some of the

Appendix III
Multiple Service Contract History for
Military Installations Reviewed

base operations support services provided for in the multiple service contract include operating combined bachelors quarters, public works, custodial, airfield management, pest management, transportation, food services, supply, and housing operations.

According to contracting officials, in-house personnel provide such functions as locksmith and most of the morale, welfare, and recreation services. These officials stated that contracts for specific services are used to provide such functions as grounds maintenance, fuels handling, aircraft maintenance, and minor construction.